



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

REPORT
NO. 92-042

February 6, 1992

MEMORANDUM FOR DIRECTOR, DEFENSE MAPPING AGENCY

SUBJECT: Report on the Merged ("M") Accounts at the Defense Mapping Agency (Project No. 1FE-3001.01)

Introduction

This is our final report on the audit of the Merged ("M") Accounts at the Defense Mapping Agency (DMA). We made the audit from March through May 1991. This report covers a portion of a DoD-wide audit and has been consolidated with similar reports in our Report No. 92-028, "Merged Accounts of the Department of Defense," dated December 30, 1991. The primary audit objective was to determine the validity of obligations in the merged ("M") accounts that were established under United States Code, title 31, sec. 1552(a).

The Defense Authorization Act for FY 1991, Section 1406, requires the Secretary of Defense to provide for an audit that will identify:

- o the balance of each account as of November 5, 1990;
- o the amount required to meet valid obligations and the amount considered to be no longer valid;
- o the sources of amounts in the account, shown by fiscal year, and the amounts for each fiscal year;
- o the average length of time funds have been obligated;
- o the average size of the obligation; and
- o the object classifications of the obligations.

Since DoD's automated accounting systems could not provide after-the-fact data as of November 5, 1990, we relied on the month-end data to establish the value of "M" accounts. In our DoD-wide report we published sources of funds, the average age and size of obligations, and object classifications that included DMA data.

Scope of Audit

We reviewed the support for balances of unliquidated obligations in the DMA merged accounts. The Research, Development, Test and Evaluation (RDT&E) account; the Procurement account; and the Operation and Maintenance (O&M) account were selected for review. The Comptroller of DMA reported the following balances as of October 31, 1990:

- o \$7,721,000 in RDT&E;
- o \$3,054,000 in Procurement; and
- o \$65,109,000 in O&M.

The DMA universe of \$75,884,000 included \$2,674,000 in FY 1987 RDT&E funds that had not been merged because DoD's RDT&E appropriation was overdisbursed. Treasury regulations prohibit merging of year-end accounts with negative preclosing balances. During our review, this account was pending resolution.

All payments since 1988 were made at DMA's Finance and Accounting Office, St. Louis, Missouri.

Selection of sample. To select sample items at DMA, we used statistical sampling techniques involving a stratified two-stage cluster. In the first stage, we selected DMA from the universe of Defense agencies. In the second stage, we selected the sample from the three major appropriations evaluated in the DoD-wide audit of merged accounts: the RDT&E account, the Procurement account, and the O&M account. We randomly selected:

- o 30 items, valued at \$4,559,000, from the RDT&E account;
- o 30 items, valued at \$1,910,000, from the Procurement account; and
- o 40 items, valued at \$36,840,000, from the O&M account.

The total value of the sample was \$43,309,000. The sample included five RDT&E items, valued at \$1,392,000, for FY 1987. During review of the sample, we determined that six DMA payroll items had been erroneously included with the "M" year obligations. DMA personnel acknowledged the error and stated that deobligation of the payroll items valued at \$23,986,000 were completed before our arrival. Also, we reviewed the entire O&M universe for other erroneously included payroll items. Accordingly, those items were excluded from our sample. The remaining purified O&M sample of 34 items valued at \$12,854,000 was reviewed. Therefore, our projections were based on a total of 94 items valued at \$19,323,000.

Limitations. The scope of the audit was set by the Defense Authorization Act for FY 1991 (the Act), section 1406. We did not evaluate the propriety of obligations, the reliability of computer-processed data, and the implementation of the Federal Managers' Financial Integrity Act pertaining to the audit objectives. The Inspector General, DoD, Inspection Report No. 90-INS-05, "Merged Accounts," March 22, 1990, reported significant internal control weaknesses in the management of DoD's merged accounts. These weaknesses are discussed below and include inadequacies in oversight, review, reconciliation, accounting data, and documentation. Due to the work involved in verifying balances in merged accounts, we did not have time to identify the specific causes of the deficiencies noted during our audit. However, we believe the DoD Inspection report, discussed below, accurately described the type of weaknesses that led to such deficiencies. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. As stated above, we did not review internal controls and other areas.

Background

Congress appropriates funds for specific purposes with varying periods of availability. Two years after funds expire, the remaining obligations are transferred to a merged account. A merged account contains appropriations for the same general purpose. Monies that are not obligated, or that are subsequently deobligated, are returned to the Treasury of the United States. These monies are maintained in a Treasury merged surplus account until they are needed to meet valid obligations that were previously incurred.

Congress established merged accounts in 1956 (Public Law 84-798) so that agencies could pay obligations associated with activities for which no current, unexpired appropriation exists. Congress dissolved the merged accounts in 1990 and made all appropriations available for disbursements and adjustments for 5 fiscal years following expiration. After 5 years, all disbursements and adjustments for an appropriation must be made from current funds appropriated for similar purposes. Appropriations maintain their identity throughout the 5-year period.

Prior Audits and Other Reviews

Both the General Accounting Office (GAO) and the Inspector General, DoD, have made evaluations of merged accounts.

GAO Review. The GAO issued a draft report, "Limitations on Availability of Expired Appropriations," GAO Code No. 392526 on

March 11, 1991. The report documented a large increase in the use of DoD merged surplus authority and recommended that management strengthen restoration procedures by monitoring the reasons for increased payments to contractors.

Inspector General, DoD, review. Inspector General, DoD, Inspection Report No. 90-INS-05 identified 13 areas in which management needed to improve the fiscal control and management of merged accounts. These problem areas included:

- o systemic problems with reconciliation and validation, oversight, and policy;
- o inaccurate unliquidated balances because of the inclusion of credit unliquidated obligations;
- o inadequate or inconsistent reviews;
- o lack of command emphasis and routine quality assurance;
- o inadequate accounting data because of weak internal controls and poor recordkeeping.

Management generally agreed with the report, but did not make sufficient resources available to ensure corrective action in all cases. We observed many of the same problems.

Discussion

DMA's account balances did not accurately reflect the status of its accounts. When we projected our sample results to the DMA universe, we estimated that only \$20,880,000 (28 percent) of the \$75,884,000 in DMA merged account balances, including the RDT&E balances for FY 1987, was required to meet valid obligations (see Enclosure 2). The remaining \$55,004,000 represented balances that were estimated to be invalid. Managers had not ensured an effective annual review of the validity of unliquidated obligations. We considered balances to be invalid when:

- o balances were not supported by adequate documentation;
- o no disbursements had been made from the account during the last 2 full fiscal years, and there was insufficient documentation to review the unpaid balance in more detail.
- o final payments had been disbursed to the contractor, but the remaining funds had not been deobligated; or
- o the paying office had made disbursements, but the finance and accounting office had not posted the disbursements by November 5, 1990.

We randomly selected and verified account balances against recorded obligations. We verified records of disbursement maintained by the finance and accounting office and the paying office. From 100 items randomly selected for review (see Enclosure 1) we identified 31 items valued at about \$12,587,000, or 29 percent of the sample universe of about \$43,309,000, as valid obligations. Of the remaining \$30,722,000 in obligations, about \$30,532,000 (\$23,986,000 in payroll items and \$6,546,000 in other items) was considered to be invalid and available for reobligation to meet other contract adjustment requirements. The remaining \$190,000 were valid obligations for unmatched disbursements that had been disbursed and not posted to the DMA accounts. Finance and accounting personnel were advised to deobligate invalid balances during the audit.

The audit showed that a lack of supporting documentation existed and that finance and accounting personnel were not reconciling discrepancies in payments. Of the 69 invalid items, 17 items, valued at about \$1,256,000, were identified for deobligation because the supporting documentation for obligations or disbursements (or both) could not be found. Therefore, 18 percent of the items and 3 percent of the dollar value were unsupported. There were seven items valued at \$209,000 that should be deobligated because there were no disbursements in the last 2 fiscal years. Also, 39 items valued at \$5,081,000 should be deobligated because DMA personnel indicated the supporting contracts were closed or funds were no longer required. The remaining six items (\$23,986,000) were the payroll items, which were erroneously included in the "M" accounts. After Congress passed the Act, increased emphasis was placed on maintenance of merged account balances. Personnel at the DMA Finance and Accounting Office had deobligated about \$24,975,000 before our arrival.

Related Reporting Requirement

The DoD Accounting Manual, DoD 7220.9-M, February 1988, chapter 93, "Year-End Closing Statements," requires fund administrators to provide a supplemental schedule of obligations reviewed by independent sources and the dollar amounts deobligated based on independent reviews. The results of this review should be incorporated into DMA's year-end closing statements and should be submitted with the completed "Accounting Report," (M) 1176, or "Year-End Closing Statement," Treasury Fiscal Service Form 2108.

Recommendations for Corrective Action

We recommend that the Director, Defense Mapping Agency:

1. Deobligate the invalid items shown in Enclosure 1, and reobligate unused balances where applicable.
2. Direct a review of remaining unliquidated merged obligations, and deobligate accounts with unsupported or invalid balances.

Management Comments

The comments from management stated that DMA had deobligated \$25 million of the \$30 million claimed by the auditors' before the auditors arrival in St. Louis. The Act required the review and purification of "M" accounts. Management further stated that DMA aggressively began this review in the fall of 1990. DMA disagreed in principle with the 2-year standard, stating that billings received through Transactions-By-Others can require more than 2 years. DMA requested that the final report be addressed to the Director, DMA, instead of the DMA Aerospace Center. DMA concurred with the recommendations. Action on Recommendation No. 1. is complete, and action on Recommendation No. 2. is under way. The complete text of management comments is in Enclosure 4.

Audit Response to Management Comments

We agree that DMA deserves credit for its aggressive program to improve the accuracy of its "M" accounts. Enclosure 1 contains accounts both deobligated by DMA and those determined by the OIG, DoD, auditors to be invalid as of November 5, 1990. The DMA line items have been annotated to reflect DMA's action. The auditors used a 2-year deobligation standard for inactive accounts when sufficient documentation to review the unpaid balances in more detail was not available. Progress payments should have been made if the vendor is still performing. As the funds are merged, we believe they should be treated as other indefinite appropriations. It is in DoD's best interest that these inactive accounts be deobligated and that the funds are transferred to other accounts where upward adjustments are required, in lieu of funding upward adjustments with current-year dollars. As requested, the final report has been directed to the Director, DMA. Action on the two recommendations is considered responsive.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Terry L. McKinney at (703) 693-0430 (DSN 223-0430) or Mr. Richard B. Bird at (703) 693-0476 (DSN 223-0476). Comments are not required; however, if you want to provide comments on the

final report, they should be received by March 23, 1992. Activities visited or contacted are shown in Enclosure 5. The planned distribution of this report is listed in Enclosure 6.

A handwritten signature in black ink, reading "Robert J. Lieberman". The signature is written in a cursive, slightly slanted style.

Robert J. Lieberman
Assistant Inspector General
for Auditing

cc:

Comptroller of the Department of Defense

SCHEDULE OF DMA ACCOUNTS REVIEWED

DMA RDT&E for FY 1986 and Prior Years

Sample Number	Object Class	Contract Number	Amount Audited	Required For Valid Obligations	Invalid Obligations	Undistributed/Unmatched Disbursements	Explanation
R-1	13	N-86-0-0499	\$ 36,044.13	\$ 36,044.13	0	0	Valid obligation
R-5	13	N-85-0-0498	2,564.00	0	2,564.00	0	No support
R-6	13	N-83-0-00301	404,107.67	404,107.67	0	0	Valid obligation
R-7	13	N-83-0-00301	13,086.92	0	13,086.92	0	No support
R-8	13	N-83-0-0310	34,472.00	34,472.00	0	0	Valid obligation
R-9	13	N-85-0-0950	736,978.14	0	736,978.14	0	Invalid obligation
R-10	13	N-82-0-03R2	7,784.48	0	7,784.48	0	Invalid obligation
R-11	13	N-83-0-0310	4,492.00	4,492.00	0	0	Valid obligation
R-12	13	N-84-0-0343	1,102.31	0	1,102.31	0	No support
R-13	13	N-86-0-0480	474,212.35	0	474,212.35	0	Invalid obligation
R-14	13	N-84-0-0403	245.09	0	245.09	0	No support
R-15	13	N-86-0-0325	599.71	0	599.71	0	Invalid obligation
R-16	13	N-86-0-0361	14,828.56	14,828.56	0	0	Valid obligation
R-17	13	N-86-0-0314	6,507.56	0	6,507.56	0	Invalid obligation
R-18	13	N-86-0-0323	14,956.34	0	14,956.34	0	Invalid obligation
R-19	13	N-86-0-0367	3,009.15	0	3,009.15	0	Invalid obligation
R-20	13	N-85-0-0955	24,286.88	24,286.88	0	0	Valid obligation
R-21	13	N-85-0-0480	308.60	0	\$308.60	0	No support
R-22	13	N-85-0-0931	954,121.00	0	954,121.00	0	Invalid obligation
R-23	13	N-85-0-0301	30,963.83	0	30,963.83	0	No support
R-24	13	N-85-0-0310	4,878.06	0	4,878.06	0	No support
R-25	13	N-85-0-0311	186,171.64	0	186,171.64	0	No support
R-26	13	N-85-0-0311	151,727.00	0	151,727.00	0	No support
R-27	13	N-85-0-0309	17,198.74	0	17,198.74	0	No support
R-30	13	N-86-0-0314	41,696.03	41,696.03	0	0	Valid obligation
Total RDT&E for FY 1986			<u>\$3,166,351.19</u>	<u>\$559,927.27</u>	<u>\$2,606,414.92</u>	<u>0</u>	

SCHEDULE OF DMA ACCOUNTS REVIEWED
(continued)

DMA RDT&E for FY 1987

Sample Number	Object Class	Contract Number	Amount Audited	Required For Valid Obligations	Invalid Obligations	Undistributed/ Unmatched Disbursements	Explanation
R-2	13	N-87-O-0097	\$ 48,000.00	0	\$ 48,000.00	0	No support
R-3	13	N-87-O-0480	143,830.00	0	143,830.00	0	No support
R-4	13	C-87-C-0001	1,021,474.13	1,021,474.13	0	0	Valid obligation
R-28	13	N-87-O-0300	91,000.00	0	91,000.00	0	Invalid obligation
R-29	13	N-86-O-0314	87,837.22	0	87,837.22	0	No support
Total RDT&E for FY 1987			<u>\$1,392,141.35</u>	<u>\$1,021,474.13</u>	<u>\$ 370,667.22</u>	<u>0</u>	
RDT&E Total for 1986 and FY 1987			<u>\$4,558,492.54</u>	<u>\$1,581,401.40</u>	<u>\$2,977,082.14</u>	<u>0</u>	

SCHEDULE OF DMA ACCOUNTS REVIEWED
(continued)

DMA Procurement

Sample Number	Object Class	Contract Number	Amount Audited	Required For Valid Obligations	Invalid Obligations	Undistributed/Unmatched Disbursements	Explanation
P-1	12	P882-D-0014	\$ 17,244.00	0	\$ 17,244.00	0	2-year rule ^{1/}
P-2	12	G840-D-0001	38,588.86	0	38,588.86	0	Invalid obligation
P-3	10	G870-R-0037	800.49	0	800.49	0	Invalid obligation
P-4	16	N88-C-5-11	195,000.00	0	195,000.00	0	Invalid obligation
P-5	10	C86-O-C-0015	31,340.00	0	31,340.00	0	Invalid obligation
P-6	10	H55-65-C060	182.00	0	182.00	0	No support
P-7	10	C-86-C-0053	98,964.39	98,964.39	0	0	Valid obligation
P-8	11	HM00-59-9300	298,211.00	0	298,211.00	0	Invalid obligation
P-9	12	C88-C-2314	122,703.75	0	0	122,703.75	Invalid obligation
P-10	11	G88-F-0395	976.76	0	976.76	0	Invalid obligation
P-11	12	N86-H-M-6600	23,471.00	0	23,471.00	0	2-year rule
P-12	10	G86-D-0005	1,371.64	0	1,371.64	0	Invalid obligation
P-13	10	C-86-C-7008	4,796.00	0	4,796.00	0	2-year rule
P-14	16	C-85-C-8064	12,106.39	12,106.39	0	0	Valid obligation
P-15	12	C-83-C-5301	274,145.46	274,145.46	0	0	Valid obligation
P-16	12	C-83-C-5301	5,948.30	5,948.30	0	0	Valid obligation
P-17	12	C-83-C-5301	1,330.43	1,330.43	0	0	Valid obligation
P-18	10	N80-106	5,348.00	0	5,348.00	0	No support
P-19	12	CN78-O-0579	64,375.68	0	64,375.68	0	Invalid obligation
P-20	16	C781-C-0043	42,119.00	0	42,119.00	0	Invalid obligation
P-21	16	N85-H-M-P001	8,736.75	0	8,736.75	0	2-year rule
P-22	16	N86-001	186,970.00	0	186,970.00	0	No support
P-23	16	N85-H-M-5602	17,500.00	12,006.00	5,494.00	0	Valid/invalid
P-24	16	G87-00-3E71	11,072.00	0	11,072.00	0	No support
P-25	16	C85-O-C-J099	16,900.00	0	0	16,900.00	Valid obligation
P-26	12	C83-O-5301	13,803.62	0	13,803.62	0	Invalid obligation
P-27	16	C85-O-C-J099	50,700.00	0	0	50,700.00	Valid obligation
P-28	12	C82-C-61728	289,217.90	0	289,217.90	0	Invalid obligation
P-29	16	G84-54-0002	53,160.00	0	53,160.00	0	2-year rule/no documentation
P-30	16	N84-H-M-P005	22,995.00	0	22,995.00	0	Invalid obligation
Procurement subtotal			<u>\$1,910,078.42</u>	<u>\$ 404,500.97</u>	<u>\$1,315,273.70</u>	<u>\$190,303.75</u>	

^{1/} 2-year rule - An obligation with no disbursements for the last 2 full fiscal years.

^{2/} This item was deobligated by DMA prior to the start of audit work.

SCHEDULE OF DMA ACCOUNTS REVIEWED
(continued)

DMA O&M

ENCLOSURE 1
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Sample Number	Object Class	Contract Number	Amount Audited	Required For Valid Obligations	Invalid Obligations	Undistributed/Unmatched Disbursements	Explanation
0-1	3	Payroll	\$ 1,519,161.58*	\$ 0	\$ 1,519,161.58*	0	Invalid payroll
0-2	3	Payroll	17,796,738.79*	0	17,796,738.79*	0	Invalid payroll
0-3	3	Payroll	1,211,285.01*	0	1,211,285.01*	0	Invalid payroll
0-4	12	N87-HM-0051	605,773.96	0	605,773.96	0	Invalid obligation
0-5	3	Payroll	812,514.92*	0	812,514.92*	0	Invalid payroll
0-6	3	Payroll	2,616,289.61*	0	2,616,289.61*	0	Invalid payroll
0-7	12	PT-546-88	782,505.20	782,505.20	0	0	Valid obligation
0-8	12	N00014-84-C-0673	960,036.90	960,036.90	0	0	Valid obligation
0-9	12	N88-HM-8119	2,224,000.00	2,224,000.00	0	0	Valid obligation
0-10	12	C88-HT-P047	994,000.00	994,000.00	0	0	Valid obligation
0-11	12	85-F-0259	153,307.27	0	153,307.27	0	Invalid obligation
0-12	12	N86-00-0051	174,993.00	0	174,993.00	0	Invalid obligation
0-13	12	86-C-0276	159,000.00	159,000.00	0	0	Valid obligation
0-14	12	87-0-0851	192,444.58*	0	192,444.58*	0	Invalid obligation
0-15	12	N87-0010	378,000.00	0	378,000.00*	0	No support
0-16	10	C87-HM-C072	259,590.38*	0	259,590.38*	0	Invalid obligation
0-17	12	HM-0027-88-C054	119,673.29*	0	119,673.29*	0	Invalid obligation
0-18	3	Payroll	30,036.00*	0	30,036.00*	0	Invalid payroll
0-19	NA+	C785-C0040	11,352.45	0	11,352.45	0	2-year rule
0-20	7	F860-0-0405	21,007.00*	0	21,007.00*	0	Invalid obligation
0-21	12	C840-C-0673	81,200.33	0	81,200.33	0	Invalid obligation
0-22	12	G84-00-0001	28,723.83	28,723.83	0	0	Valid obligation
0-23	12	N87-HM-C014	13,113.25	0	13,113.25	0	Invalid obligation
0-24	12	C880-C-0030	38,947.88	39,288.88	(341.00)	0	Valid obligation
0-25	12	G86-0-D001	89,856.54	0	89,856.54	0	2-year rule
0-26	15	G880-M-0024	10,363.95	0	10,363.95	0	Invalid obligation
0-27	10	A586-ECWR	21,500.00	21,500.00	0	0	Valid obligation
0-28	12	G87-OM-0075	287.00*	0	287.00*	0	Invalid obligation
0-29	10	G88-OM-0329	940.00*	0	940.00*	0	Invalid obligation
0-30	12	N88-HM-C016	7,000.00	0	7,000.00*	0	Invalid obligation
0-31	NA	C88-HT-P040	949,666.29	949,666.29	0	0	Valid obligation
0-32	12	C88-HT-P046	2,305,215.96	2,305,215.96	0	0	Valid obligation
0-33	12	N88-HM-C016	1,576,000.00	1,576,000.00	0	0	Valid obligation
0-34	12	C87-0-C-0044	100,355.64	100,355.64	0	0	Valid obligation

*This item was deobligated by DMA prior to the start of audit work.

SCHEDULE OF DMA ACCOUNTS REVIEWED
(continued)

DMA O&M (continued)

Sample Number	Object Class	Contract Number	Amount Audited	Required For Valid Obligations	Invalid Obligations	Undistributed/Unmatched Disbursements	Explanation
0-35	12	87G-00-37500	\$ 144,343.13	\$ 144,343.13	\$ 0	0	Valid obligation
0-36	12	C88-HT-P045	157,000.00	48,127.00	108,873.00	0	Not posted by F&AO
0-37	10	N88-HM-8108	196,843.00	196,843.00	0	0	Valid obligation
0-38	7	C85-O-C-0040	14,792.90	14,792.90	0	0	Valid obligation
0-39	12	HTC-PO-86-032	26,054.84	0	26,054.84	0	Invalid obligation
0-40	10	PF81-O-0002	56,315.00	56,315.00	0	0	Valid obligation
O&M subtotal			<u>\$36,840,229.48</u>	<u>\$10,600,713.73</u>	<u>\$26,239,515.75</u>	<u>0</u>	
DMA Grand Total, all appropriations			<u>\$43,308,791.44</u>	<u>\$12,586,616.10</u>	<u>\$30,531,871.59</u>	<u>\$190,303.75</u>	

SUMMARY OF STATISTICAL PROJECTIONS FOR ACCOUNTS AUDITED

Account Type	Universe	Valid	Valid Percentage	Precision with 95 Percent Confidence (+ -)	Relative Precision Percentage (+ -)
RD&E	\$ 7,720,000	\$ 2,450,000	31.74	\$1,040,000	42.45
(1987 and Prior)					
Procurement	3,050,000	650,000	21.31	\$530,000	81.54
(1986 and Prior)					
O & M	\$38,480,000	\$17,780,000	46.21	\$5,030,000	28.29
(1988 and Prior)					
Totals	\$49,250,000	\$20,880,000		\$6,600,000	
Account Type	Universe	Invalid	Invalid Percentage	Precision with 95% Confidence (+ -)	Relative Precision Percentage (+ -)
RD&E	\$ 7,720,000	\$ 5,230,000	67.75	\$1,450,000	27.72
(1987 & Prior)					
Procurement	3,050,000	2,100,000	68.86	610,000	29.05
(1986 & Prior)					
O & M	\$38,480,000	\$20,620,000	53.59	\$5,030,000	24.39
(1988 & Prior)					
Totals	\$49,250,000	\$27,950,000		\$7,090,000	

INVALID OBLIGATIONS

Account Type	Invalid Projection	Precision with 95 Percent Confidence	Range of Projected Benefits	
			Lower Limit	Upper Limit
RD&E	\$ 5,230,000	\$1,450,000	\$ 3,780,000	\$ 6,680,000
Procurement	2,100,000	610,000	\$ 1,490,000	\$ 2,710,000
O & M	\$20,620,000	\$5,030,000	\$15,590,000	\$25,650,000
Totals	\$27,950,000	\$7,090,000	\$20,860,000	\$35,040,000

SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM THE AUDIT

<u>Recommendation Reference</u>	<u>Description of Benefits</u>	<u>Amount and/or Type of Benefit</u>
1.	Compliance. Deobligation of the invalid balances shown in Enclosure 1 will result in a one-time savings because current funds would not be required to cover shortfalls in the "M" account. Of the total amount of benefits achieved as result of the "M" account legislation, (\$30,531,872), \$24,975,307 was deobligated by DMA before our review.	Funds put to better use.* \$30,531,872 24,975,307 <u>\$ 5,556,565</u>
2.	Compliance with regulations as cited in DoD Manual 7290.3M will result in the deobligation of additional funds that are not determinable at this time.	Undeterminable. Audit resources precluded a complete review of the total universe.

* Amounts shown for Recommendation 1. are based only on accounts included in our sample and do not include projections. Although we believe that monetary benefits from \$20.86 million to \$35.04 million will result when all appropriations are reviewed item by item, we are not claiming those monetary benefits because specific deobligations cannot be made until an item-by-item review is performed. Instead, we are claiming the benefits directly associated with sample items less the \$24.9 million in items deobligated by DMA personnel.

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DEFENSE MAPPING AGENCY

8613 LEE HIGHWAY
FAIRFAX, VIRGINIA 22091-8137



CMF

10 OCT 1991

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
ATTN: Director, Financial Management Directorate

SUBJECT: Draft Audit Report on the Merged ("M") Accounts at the
Defense Mapping Agency Aerospace Center
(Project No. 1FE-3001.01)

1. Reference DoDIG (Financial Management Directorate) memorandum,
18 September 1991, subject as above.

2. The subject draft has been reviewed and it is the Defense
Mapping Agency (DMA) opinion that the draft contains several
misleading and inaccurate statements. General observations are as
follows:

a. The last paragraph of page 2 of the report states that the
auditors identified \$23,986,000 in erroneous payroll obligations,
brought it to DMA's attention, and recommended deobligation of the
funds. This statement is incorrect. The Defense Authorization
Act for FY 1991 required the review and purification of "M"
accounts, a task DMA aggressively began in the fall of 1990. DMA
officials identified the \$23,986,000 in erroneous payroll
obligations and corrected the accounting system in December 1990
and February 1991, well before the auditors' arrival on 12 March
1991. In fact, \$24,975,307.02 of the \$30,532,000, or 81.9
percent, claimed to have been found by the auditors was found and
deobligated by DMA prior to the arrival of the auditors. DMA
informed the auditors of these deobligations.

b. DMA disagrees in principle with the two-year rule (page 5,
paragraph 2), which states that a line item that has not had any
activity for two fiscal years should be deobligated. The auditors
assumed that any account that has had no activity for two years
was invalid. It has been the DMA experience that there are valid
line items that are well beyond the two year period. Particularly
in the Procurement and Research, Development, Test and Evaluation
appropriations, it is not unusual for billings to be received
through Transactions-By-Others Registers several years after the
obligation was established. Removal of these obligations as
invalid would result in absorbing these transactions out of
current year appropriations.

c. The correct title for the organization audited was the
Office of Comptroller, Defense Mapping Agency, not the Defense
Mapping Agency Aerospace Center (DMAAC). The Accounting and
Finance Division is physically collocated with DMAAC, but is a
DMA Support Office organization providing accounting and finance
service DMA-wide. This organization was consolidated in St. Louis,

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MO, in 1989, not 1988. All references throughout the report to DMAAC should be changed to DMA.

3. Specific comments on the report recommendations, Enclosure 1 to the audit report, and the potential monetary benefits schedule are as follows:

a. Change the responsible official for the recommendations paragraph (page 5, last paragraph) from Commander, DMAAC to Director, DMA.

b. Recommendation 1: Deobligate the invalid items shown in Enclosure 1 and reobligate unused balances where applicable.

DMA Response: Concur. As presented above, much of this was accomplished prior to the start date of the audit.

c. Recommendation 2: Direct a review of remaining unliquidated merged obligations and deobligate accounts with unsupported or invalid balances.

DMA Response: Concur. DMA continues to review merged accounts in accordance with the requirements of the Defense Authorization Act for FY 1991.

d. As indicated above, DMA takes exception with the implication that the auditors identified substantial invalid obligations. Enclosed is a marked-up copy of the schedule of accounts reviewed which indicates those line items that had been deobligated prior to the arrival of the auditors and the date they were deobligated.

e. DMA also takes exception to the audit report's potential benefit of \$30,531,872, (Enclosure 3 to the draft report), since \$24,975,307 was deobligated by DMA prior to the start of the audit. Admittedly, DMA's merged account obligations were misstated on 5 November 1990, but to suggest benefits of \$30M as a result of this audit is a serious distortion. Recommend that this schedule be divided into two parts, those items found and corrected by DMA prior to the start of the audit (\$24,975,307) and those invalid items found during the conduct of the audit (\$5,556,565).

4. Request that the above stated DMA comments be included in the final audit report. The HQ DMA(CMF) point of contact for this action is Mr. William C. Bartel, Jr., (703) 285-9212 or DSN 356-9212.

FOR THE DIRECTOR:

Enclosure a/s


JOHN R. VAUGHN
Comptroller

ACTIVITIES VISITED OR CONTACTED

Defense Mapping Agency, Fairfax, VA
Defense Mapping Agency Systems Center, Fairfax, VA
Office of Comptroller, Defense Mapping Agency, St. Louis, MO

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Committee on Government Operations

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